



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Knoxville
Auglaize County
PO Box 246
New Knoxville, Ohio 45871-0246

To the Village Council:

We have audited the accompanying financial statements of the Village of New Knoxville (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of New Knoxville
Auglaize County
Independent Accountants' Report
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This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 1, 2003

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$61,802	\$9,245			\$71,047
Municipal Income Tax	237,209				237,209
Special Assessments		10,454			10,454
Intergovernmental Receipts	107,139	33,191		274,133	414,463
Charges for Services	77,561				77,561
Fines, Licenses, and Permits	2,145				2,145
Earnings on Investments	17,510	179			17,689
Miscellaneous	9,553	49,598			59,151
Total Cash Receipts	<u>512,919</u>	<u>102,667</u>		<u>274,133</u>	<u>889,719</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	117,165	571			117,736
Leisure Time Activities	26,925				26,925
Basic Utility Services	17,194				17,194
Transportation		274,701			274,701
General Government	237,230				237,230
Debt Service:					
Principal Payments		9,079	3,600		12,679
Interest Payments		1,989			1,989
Capital Outlay				339,481	339,481
Total Cash Disbursements	<u>398,514</u>	<u>286,340</u>	<u>3,600</u>	<u>339,481</u>	<u>1,027,935</u>
Total Receipts Over/(Under) Disbursements	<u>114,405</u>	<u>(183,673)</u>	<u>(3,600)</u>	<u>(65,348)</u>	<u>(138,216)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes		21,793		65,348	87,141
Transfers-In		169,880	3,600		173,480
Transfers-Out	(238,522)				(238,522)
Total Other Financing Receipts/(Disbursements)	<u>(238,522)</u>	<u>191,673</u>	<u>3,600</u>	<u>65,348</u>	<u>22,099</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(124,117)	8,000			(116,117)
Fund Cash Balances, January 1	195,393	68,582		3,436	267,411
Fund Cash Balances, December 31	<u>\$71,276</u>	<u>\$76,582</u>	<u>\$0</u>	<u>\$3,436</u>	<u>\$151,294</u>
Reserves for Encumbrances, December 31	<u>\$10,439</u>	<u>\$24,247</u>	<u>\$0</u>	<u>\$10,866</u>	<u>\$45,552</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$798,777		\$798,777
Operating Cash Disbursements:			
Personal Services	115,070		115,070
Fringe Benefits	31,821		31,821
Contractual Services	598,266		598,266
Supplies and Materials	86,929		86,929
Capital Outlay	34,298		34,298
Other Operating Disbursements	5,700		5,700
Total Operating Cash Disbursements	872,084		872,084
Operating (Loss)	(73,307)		(73,307)
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	2,150		2,150
Special Assessments	21,209		21,209
Total Non-Operating Cash Receipts	23,359		23,359
Non-Operating Cash Disbursements:			
Redemption of Principal	35,266		35,266
Interest and Other Fiscal Charges	34,320		34,320
Total Non-Operating Cash Disbursements	69,586		69,586
Receipts(Under) Disbursements Before Interfund Transfers and Advances	(119,534)		(119,534)
Transfers-In	142,903		142,903
Transfers-Out	(77,861)		(77,861)
Net Receipts (Under) Disbursements	(54,492)		(54,492)
Fund Cash Balances, January 1	843,237	4,247	847,484
Fund Cash Balances, December 31	<u>\$788,745</u>	<u>\$4,247</u>	<u>\$792,992</u>
Reserve for Encumbrances, December 31	<u>\$221,378</u>	<u>\$0</u>	<u>\$221,378</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$47,921	\$9,787		\$57,708
Municipal Income Tax	250,532			250,532
Special Assessments		11,824		11,824
Intergovernmental Receipts	92,506	21,458	50,936	164,900
Charges for Services	48,852			48,852
Fines, Licenses, and Permits	1,258			1,258
Earnings on Investments	39,138	542		39,680
Miscellaneous	12,569	168		12,737
	<u>492,776</u>	<u>43,779</u>	<u>50,936</u>	<u>587,491</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	84,693			84,693
Public Health Services	20			20
Leisure Time Activities	7,417			7,417
Basic Utility Services	19,912			19,912
Transportation		138,973		138,973
General Government	155,382			155,382
Debt Service:				
Principal Payments		9,377		9,377
Interest Payments		2,611		2,611
Capital Outlay			149,198	149,198
	<u>267,424</u>	<u>150,961</u>	<u>149,198</u>	<u>567,583</u>
Total Cash Disbursements	<u>267,424</u>	<u>150,961</u>	<u>149,198</u>	<u>567,583</u>
Total Receipts Over/(Under) Disbursements	<u>225,352</u>	<u>(107,182)</u>	<u>(98,262)</u>	<u>19,908</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes			30,652	30,652
Transfers-In		151,617	35,940	187,557
Transfers-Out	(245,075)			(245,075)
	<u>(245,075)</u>	<u>151,617</u>	<u>66,592</u>	<u>(26,866)</u>
Total Other Financing Receipts/(Disbursements)	<u>(245,075)</u>	<u>151,617</u>	<u>66,592</u>	<u>(26,866)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,723)	44,435	(31,670)	(6,958)
Fund Cash Balances, January 1	215,116	24,147	35,106	274,369
Fund Cash Balances, December 31	<u>\$195,393</u>	<u>\$68,582</u>	<u>\$3,436</u>	<u>\$267,411</u>
Reserves for Encumbrances, December 31	<u>\$32,550</u>	<u>\$52,536</u>	<u>\$0</u>	<u>\$85,086</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$842,997		\$842,997
Operating Cash Disbursements:			
Personal Services	106,969		106,969
Fringe Benefits	29,830		29,830
Contractual Services	578,610		578,610
Supplies and Materials	97,991		97,991
Capital Outlay	22,468		22,468
Other Operating Disbursements	5,897		5,897
Total Operating Cash Disbursements	841,765		841,765
Operating Income	1,232		1,232
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	1,147		1,147
Special Assessments	20,376		20,376
Proceeds from Notes and Bonds	2,317		2,317
Total Non-Operating Cash Receipts	23,840		23,840
Non-Operating Cash Disbursements:			
Redemption of Principal	20,266		20,266
Interest and Other Fiscal Charges	34,555		34,555
Total Non-Operating Cash Disbursements	54,821		54,821
Receipts (Under) Disbursements Before Interfund Transfers and Advances	(29,749)		(29,749)
Transfers-In	72,784		72,784
Transfers-Out	(15,266)		(15,266)
Net Receipts Over Disbursements	27,769		27,769
Fund Cash Balances, January 1	815,468	4,247	819,715
Fund Cash Balances, December 31	\$843,237	\$4,247	\$847,484
Reserve for Encumbrances, December 31	\$120,501	\$0	\$120,501

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Knoxville, Auglaize County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, electric and sewer utilities, street construction, maintenance and repair, refuse services, park operations, and fire and police services

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. Money market funds are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Municipal Income Tax is accounted for in this fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Issue II Mill Street Reconstruction Fund - This fund receives Municipal Income Tax for the repayment of debt for street repair and maintenance.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Other Capital Project (Mill Street) Fund - This fund receives proceeds of an OPWC loan. The proceeds are being used for street repair and maintenance.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility. The Village purchases electric from the City of St. Marys.

6. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Unclaimed Monies Fund – This fund accounts for monies unclaimed by vendors or employees.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. RESTATEMENT OF FUND BALANCES

The Village corrected the reporting fund type for several funds which had the following effect on January 1, 2001 fund balances.

Fund	Fund Balance December 31, 2000	Correction	Restated Fund Balance January 1, 2001
General	\$191,003	\$24,113	\$215,116
Debt Service	41,806	(41,806)	0
Capital Project	84,604	(49,498)	35,106
Expendable Trust	4,247	(4,247)	0
Enterprise	724,163	91,305	815,468
Agency	24,113	(19,866)	4,247

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Demand deposits	\$805,245	\$676,288
Certificates of deposit	100,000	400,000
Total deposits	905,245	1,076,288
Money Market	39,041	38,607
Total deposits and investments	\$944,286	\$1,114,895

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool

Investments: Investments in mutual funds are not evidenced by securities that exist in physical or book entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$579,659	\$512,919	(\$66,740)
Special Revenue	309,271	294,340	(14,931)
Debt Service	3,600	3,600	0
Capital Projects	346,918	339,481	(7,437)
Enterprise	1,113,391	965,039	(148,352)
Fiduciary	0	0	0
Total	\$2,352,839	\$2,115,379	(\$237,460)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$742,503	\$647,475	\$95,028
Special Revenue	331,091	310,587	20,504
Debt Service	3,600	3,600	0
Capital Projects	350,348	350,347	1
Enterprise	1,830,353	1,240,909	589,444
Fiduciary	4,247	0	4,247
Total	\$3,262,142	\$2,552,918	\$709,224

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$481,943	\$492,776	\$10,833
Special Revenue	282,016	195,396	(86,620)
Capital Projects	189,500	117,528	(71,972)
Enterprise	940,346	939,621	(725)
Fiduciary	0	0	0
Total	\$1,893,805	\$1,745,321	(\$148,484)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$700,575	\$545,049	\$155,526
Special Revenue	347,471	203,497	143,974
Capital Projects	206,696	149,198	57,498
Enterprise	1,757,112	1,032,353	724,759
Fiduciary	4,247	0	4,247
Total	\$3,016,101	\$1,930,097	\$1,086,004

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. City of St Marys acts as agent for the Village.

7. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loans	\$367,192	0.00%
Special Assessment Notes	50,465	2.32-5.75%
General Obligation Bonds	235,000	4.80-5.85%
Mortgage Revenue Bonds	370,000	4.55-5.90%
Total	<u>\$1,022,657</u>	

The Ohio Public Works Commission (OPWC) Loans – relates to 3 loans. The first loan is for a water supply system project. The OPWC has approved up to \$449,000 in loans to the Village for this project. The loan is collateralized by income tax receipts. The second loan is for reconstruction of Mill Street. The Village was approved for \$72,000. The third loan is for the reconstruction of Botkins Angle Rd. The Village was approved for \$24,000. The loans will be repaid in semiannual installments over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

Special Assessment Notes – were issued in anticipation of assessments against individual property owners within the Village and have been renewed. Proceeds from the notes were used to finance improvements to Village streets and sidewalks.

General Obligation Bonds – were issued in the amount of \$250,000 with proceeds to be used to construct the water system project. The bonds will be paid over a period of 20 years in annual payments as reflected below. The bonds will be paid by income tax receipts.

Mortgage Revenue Bonds – were issued in the amount of \$380,000 with proceeds to be used to construct the water system project. The bonds will be paid over a period of 20 years in annual payments as reflected below. The bonds are collateralized by a first mortgage on the waterworks system. The bonds will be paid by revenue generated by the waterworks system.

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as an Enterprise debt service fund. The balance in the fund at December 31, 2002 is \$35,050.

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan	Special Assessment Notes	General Obligation Bonds	Mortgage Revenue Bonds
2003	\$18,866	\$10,659	\$22,780	\$30,605
2004	21,167	10,761	22,290	30,135
2005	21,167	7,117	21,790	34,665
2006	21,167	6,894	21,285	33,920
2007	21,167	5,256	20,775	33,170
2008-2022	263,658	17,673	266,413	453,305
Total	<u>\$367,192</u>	<u>\$58,360</u>	<u>\$375,333</u>	<u>\$615,800</u>

8. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Inland Marine Coverage;
- Law Enforcement Liability; and
- EDP

10. CONTRACTUAL OBLIGATIONS

The Village had the following contractual obligation as of December 31, 2002:

East End Sewer Project – The contract is with Tumbusch Construction for \$195,273 to construct sewer system at the east end of the Village

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

11. SUBSEQUENT EVENTS

The Village had the following material matters occur after December 31, 2002:

- The Village approved a \$100,000 change order for the East End Sewer Project.
- The Village issued new debt for \$23,011 for the Botkins/Angle Assessments on January 14, 2003 through Fifth Third Bank at a rate of 3.55% annum.
- The Village issued new debt for \$9,698 for the Mill Street Phase II Assessments on March 11, 2003 through Fifth Third Bank at a rate of 3.52% annum.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of New Knoxville
Auglaize County
PO Box 246
New Knoxville, Ohio 45871-0246

To the Village Council:

We have audited the accompanying financial statements of the Village of New Knoxville, Auglaize County (the Village), as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated August 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 1, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 1, 2003.

Village of New Knoxville
Auglaize County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 1, 2003

**VILLAGE OF NEW KNOXVILLE
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30206-001	Ohio Rev. Code Section 5705.41(D) requires a certificate of the fiscal officer to be attached to all expenditures of money	Fully corrected	
2000-30206-002	Ohio Rev. Code Section 5705.10 requires that all revenue derived from special levies for debt charges shall be paid into a bond retirement fund and Section 5705.09 (C) and (F) requires that each subdivision establish the following funds; bond retirement fund, for the retirement of bonds and a special fund for each class of revenue derived from a source other than general property tax	Fully corrected	



**Auditor of State
Betty Montgomery**

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800-282-0370

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VILLAGE OF NEW KNOXVILLE

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2003**